

ISLAND COUNTY, WASHINGTON
January 1, 1993 Through December 31, 1993

Schedule Of Findings

1. The County Should Improve Controls Over Cash Receipts

County officials have made some progress in correcting the internal control weaknesses identified in our 1992 audit report, No. 55584. This is evident at the sheriff's jail which made significant improvements to their cash receipting and depositing procedures.

However, the control weaknesses that remain continue to decrease accountability over departmental cash receipting systems. In addition, they could allow for errors and/or irregularities to occur without being detected in a timely manner.

The following departments contained cash receipting weaknesses:

a. Planning and Community Development:

(1) Deposits to the treasurer are made approximately three times a week. The deposits usually range from \$6,000 to \$12,000. We recommend deposits be made on a daily basis as required by RCW 43.09.240.

(2) The petty cash fund is also used as a change fund for receipts. We recommend two separate funds be established to account for receipting and petty cash activity.

(3) All five cashiers, the bookkeeper, and the fire inspector have access to the file cabinet that holds the petty cash fund and any undeposited receipts. We recommend access to this cabinet be limited to two key employees.

b. Camano and Langley Satellite Courts:

Payments are receipted on "Rediform" receipts, which are a type of unofficial cash receipt form. While these receipts are prenumbered, they provide no control over the cash receipting process because duplicate numbering sequences can easily be obtained at many retail stores. We recommend the satellite courts be issued preprinted, three-part Island County receipts and discontinue the use of rediform receipts.

c. Sheriff's Office:

(1) Deposits to the treasurer are being made on a weekly basis. However, the amount of the deposits are relatively large. We recommend deposits be made on a daily basis as required by RCW 43.09.240.

(2) Receipts are not complete as to mode of payment and could not be reconciled to the treasurer's transmittal. We recommend mode of payment be indicated on all receipts.

(3) Reconciliation of receipts to transmittals submitted to the treasurer are difficult and time consuming. Discrepancies are due to voided and duplicate receipts. Not all copies of receipts are marked void. Several mail-in payments are erroneously receipted two or three times. We recommend all receipts which are void be marked as such. We further recommend that mail-in payments be receipted in immediately and deposited with the treasurer.

(4) Currently the chief civil deputy's office is holding receipts and using them as a change fund. Therefore, the mode of payment is not traceable between the actual receipts, the cash drawer, and the treasurer's transmittals. We recommend that a change fund be established for the chief civil deputy's office in an amount sufficient to provide for receipting operations.

d. Sheriff's Jail:

Manual receipts were not always complete as to mode of payment, time period, rates, officer's signature, etc. We recommend all receipts be filled out with all of the necessary information.

e. Solid Waste:

(1) Transfer site attendants were not always using the correct mode of payment key when ringing up receipts. We recommend the correct key be used to indicate whether the payment was made with cash or check.

(2) Voids do not always contain an explanation as to why they are given, who gave them, and who approved them. We recommend voids always contain an explanation as to why they are given. Voids should also be signed by the employee who made the void, the customer (if possible), and then approved by a supervisor. The approval should be evident with a signature.

f. District Court:

(1) All employees in the administrator's office have access to the safe. We recommend the combination be known by only two or three key employees and be written down in only one place of safekeeping with limited access.

(2) The receipting system is not accessible while receipts are being reconciled for deposit. During this time prenumbered manual receipts are prepared. The payments are entered into the system after the deposit is reconciled. Thirteen manual receipts issued during 1993 could not be located. We recommend all of the manual receipts be retained in numerical order.

g. Treasurer's Office:

During our review of billings for special purpose district ULIDs which are handled by the treasurer's office, we noted a segregation of duties problem. The same person is responsible for processing the ULID billings, batching the payments for the cash receipting clerk, posting the payments to the subsidiary ledger, and reconciling the subsidiary ledger to the control account (general ledger). We recommend a segregation of duties between the person who processes the billings and the person who handles the money from the billings. We further recommend that the reconciliation between the subsidiary accounts and the control account be done by an employee who is not involved in the posting of payments to the subsidiary accounts.

h. Auditor's Office:

The auditor's office has one person handling COBRA transactions. The payroll clerk receives the insurance billing from the health provider, collects the checks from the retirees, and pays the bill to the health provider. The same person is also responsible for adding the terminated employee to the COBRA plan. We recommend the checks sent in by the ex-employees be sent directly to the treasurer's office for receipting.

i. Superior Court:

(1) The clerk is responsible for preparing and making the bank deposit, disbursing the checks, and reconciling the bank statement. Furthermore, the validated bank slips are not attached to the original deposit slips. We recommend that the reconciliation of the bank statements be done by an individual who does not have signature authority on the account. We also recommend that the validated bank slip be attached to the original deposit slip.

(2) All six of the superior court employees have access to the vault and the safe where the receipts are kept. There are times during the year when three weeks worth of receipts will sit in the vault. The amount of receipts is significant. We recommend the receipts be deposited on a daily basis. We further recommend the access to the safe be limited by two key employees.

(3) They do not make use of a cashier's over/short account. We recommend a over/short account be utilized.

(4) Some of the daily reports which are produced from Revenue Receipting System (RRS) are thrown away after the balancing the cash drawer. We recommend all of the daily reports run off of the system be retained for the auditor's review. Specifically the journal summary, journal detail, and adjustment reports need to be retained.

(5) The back-up disks from the RRS are stored on-site with the originals. We recommend the back up disks be kept in an off-site location.

k. All Department Levels:

Only one person is opening mail. There are no logs maintained to evidence payments received through the mail. We recommend logs be prepared by two persons who should sign and date it, certifying payments received through the mail.

We again recommend that county officials improve internal controls to ensure proper accountability of cash receipts. We further recommend that a policy governing cash receipting procedures be adopted and monitored by county officials.

2. County Officials Should Improve Accounting Controls For The General Fixed Assets

Our review of the county's fixed assets accounting again revealed the following weaknesses:

- a. The asset listing for land is not complete. There are many donated parcels on the listing which are valued at \$1.00. The listing of land does not include acquisition dates or unique asset numbers for each parcel.
- b. There is no historical cost data for the buildings or other improvements in the general fixed asset listing.
- c. There are no detailed listings of additions and deletions for land, buildings, or other improvements.

As a result of the above conditions, we were unable to apply audit procedures to substantiate a fair presentation of the general fixed asset balances reported in the county's financial statements.

The inadequate fixed asset accounting is partially attributed to insufficient resources assigned to this area by county officials. County officials also are having a difficult time researching older data and obtaining the required information.

Similar conditions regarding the county's fixed asset accounting system were reported in our 1991 report, No. 54712 and our 1992 report, No. 55584.

We again recommend that the county officials:

- a. Establish and maintain a comprehensive fixed asset detail ledger for land, buildings, and other improvements. The listing should document each assets acquisition information including date, cost and reference to source document, and disposition information.
- b. Value all donated parcels of land at the fair market value at the time of acquisition.
- c. Maintain a detailed listing of all additions and deletions made to land, buildings, and other improvements.